



PROJECT SNAPSHOT >

NAME > Development Dividend: Making the Clean Development Mechanism Work for Developing Countries

FUNDERS > Canada's CDM & JI Office, Foreign Affairs Canada; International Development Research Centre (Canada); Ministry of Environment, Norway; Ministry of Foreign Affairs, Denmark; United Nations Development Programme

PARTNERS > Phase I – The Energy and Resources Institute (TERI); Phase II – Three Southern research institutes (to be determined)

DURATION > June 2005 – September 2006

LOCATION > Task Force Meetings and project research take place in collaboration with participants from Austria, Brazil, Canada, China, Columbia, Costa Rica, Denmark, Germany, India, Japan, Kenya, Norway, South Africa, United Kingdom and the United States.

BACKGROUND >

Experience to date has found that the majority of investors select Clean Development Mechanism (CDM) projects primarily based on the economic bottom line. In many cases, these low-cost projects do not garner the type of sustainability benefits developing countries were hoping for when they agreed to the establishment of the CDM. The diverging objectives and criteria of investors and host countries have

the potential to undermine the success of the CDM and its contribution to the wider objectives of the United Nations Framework Convention on Climate Change.

Since October 2004, IISD has been implementing this two-phase project that explores how the CDM can provide host

countries with socio-economic and environmental gains—a *development dividend*—while simultaneously meeting investors' needs for low-cost emission reduction opportunities.

GOALS AND OBJECTIVES >

The development dividend project aims to:

increase the understanding of current challenges associated with the provision of enhanced socio-economic and environmental benefits—the *development dividend*—through the CDM; and

present options for how provision of these benefits may be enhanced while respecting the need of governments and industries from Annex I countries to access cost-effective emission reduction credits.

KEY ACTIVITIES TO DATE >

An analytical paper was developed in Phase I that examined the current status of the CDM and found cause for concern on three fronts: quality of projects; quantity of projects; and the distribution of projects. A number of recommendations to address these issues were put forward.

The second phase of this project was launched in June 2005 in Ottawa, Canada, with the first meeting of the Development Dividend Task Force. The aim of this international Task Force is to bring together a cross section of the CDM community to hold discussions on possible ways the CDM can evolve to align development and investment interests more effectively.

FUTURE ACTIVITIES >

The 30-member Task Force identified three areas for further research and analysis:

Defining the Development Dividend; Changing the Rules for the Development Dividend; and Financing the Development Dividend. Research papers will be developed in these three areas.

Future project activities also will include three meetings of the Task Force, to be held in December 2005, March 2006 and September 2006.

ANTICIPATED OUTCOMES >

The end goal is to bring about change by strategically informing the CDM debate with high-quality research and analysis. The three research papers will seek to provide relevant information and perspectives to stakeholders engaged in the CDM. These papers will be published in time to feed into COP/MOP-2 in 2006, as well as to influence the intervening debates.

For further information about the project, visit:

www.iisd.org/climate/global/dividend.asp

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